Partnering with Industry

A CASE STUDY

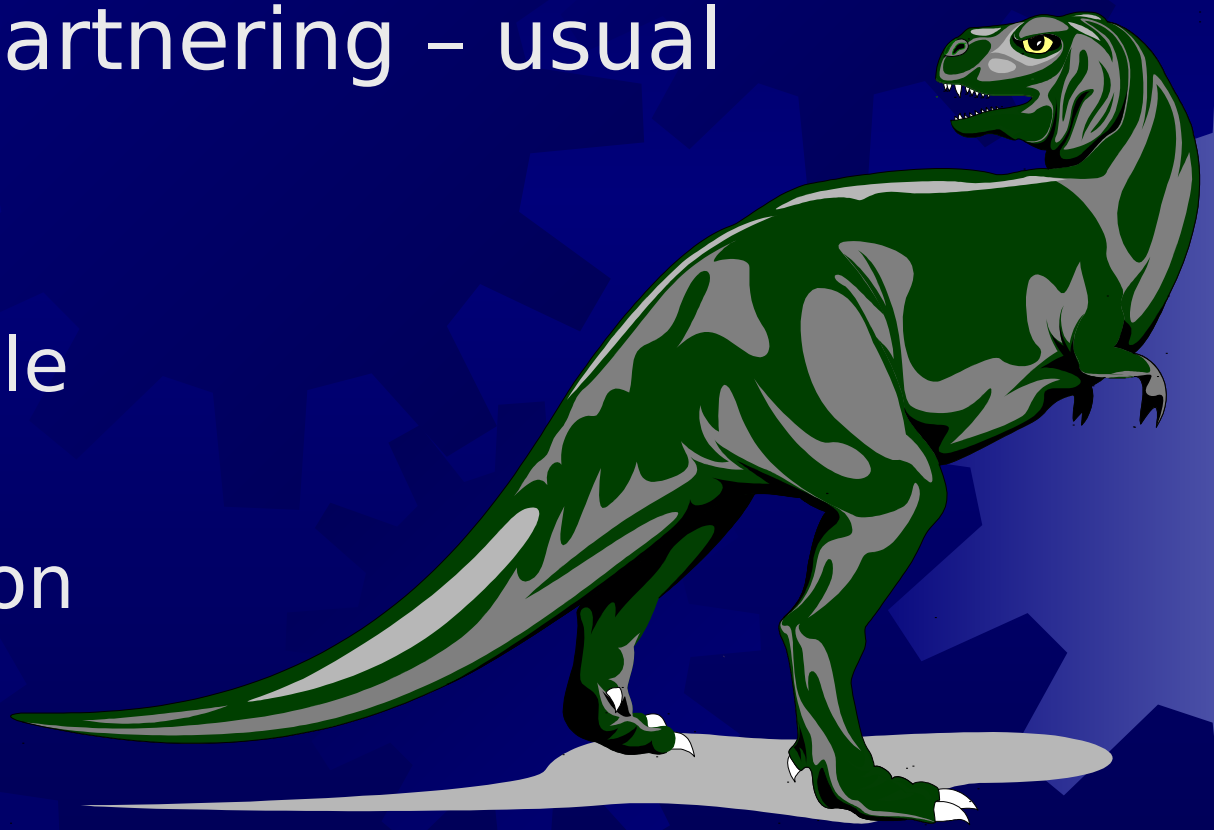
osc - *On the*

Notes for chart 1

- OSC and its predecessors pioneered partnering with industry.
- Partnering allows us to concentrate our efforts on improving the product and resolving issues rather than doing battle over blame issues.
- This case study will show some tangible and intangible benefits in a successful long term partnering arrangement

Partnering – A Case Study
120mm Tank Ammunition

- Before partnering – usual issues
  - Cost
  - Schedule
  - Quality
  - Litigation



Notes for chart 2

- Before partnering we had the usual issues with
- - Cost issues
- - On-time deliveries
- - Quality issues
- - also litigation (REAs*, other claims, etc.)

- *Request for Equitable Adjustments.

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- Initial partnering efforts began in 1994

Notes for chart 3

- Partnering effects initiated in 1994 to address (main issues).
- Government forms first “IPT” to make this work.
- Mission & Goals:
  - On time delivery of highest quality products and services at an affordable price
  - Open and honest communication
  - Continuous improvement journey
  - Resolve conflict at the lowest level possible
  - Seek to maximize mutual benefits
    - Balance the Government’s need for quality and affordability with the contractors’ need for profitability
- Guiding Principle: Resolve issues at lowest

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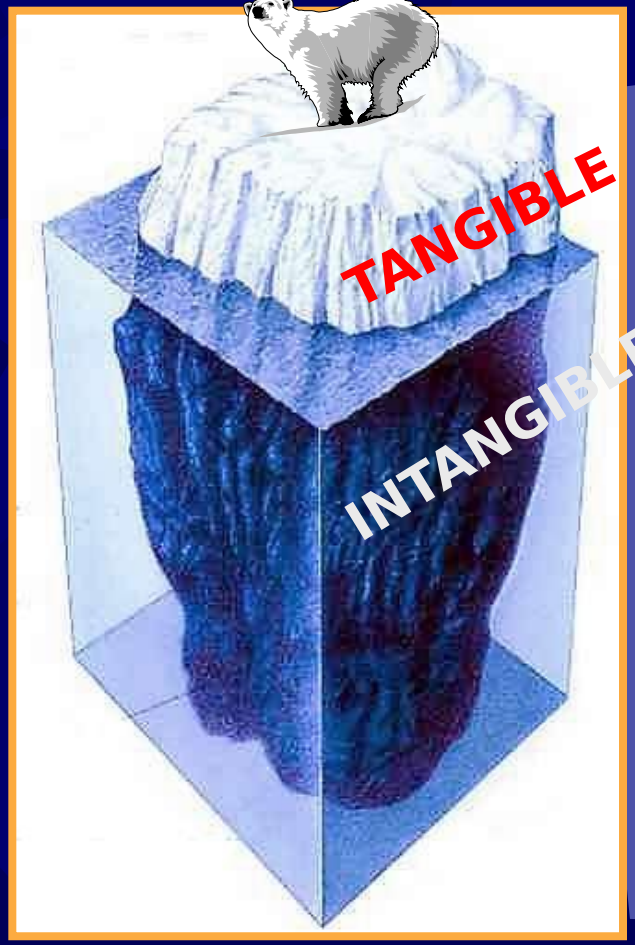
- Tangible benefits
  - “0” REAs
  - $0 fee to do System Tech Support (STS)
  - Accelerated deliveries
    - $0 additional cost



Notes for chart 4

- Tough to quantify benefits solely to partnering because the impact of partnering is interwoven into every aspect of our business dealings with our customers.
- Still, we have some very tangible benefits:
  - No claims since partnering began (0 REAs* and as a result of partnering, the contractors offered not to submit an REA for insufficient TDP. We estimate $200K/year on cost avoidance just in avoiding litigation and associated cost for attorneys, engineers, contracting folks, and all managers.) Also “no sue” terms offered by contractors.
  - $0 fee for STS. Contractors agreed to do this work for $0 fee. Cost avoidance another $200K.
  - $0 added cost for accelerated deliveries.

  - *Requests for Equitable Adjustment.

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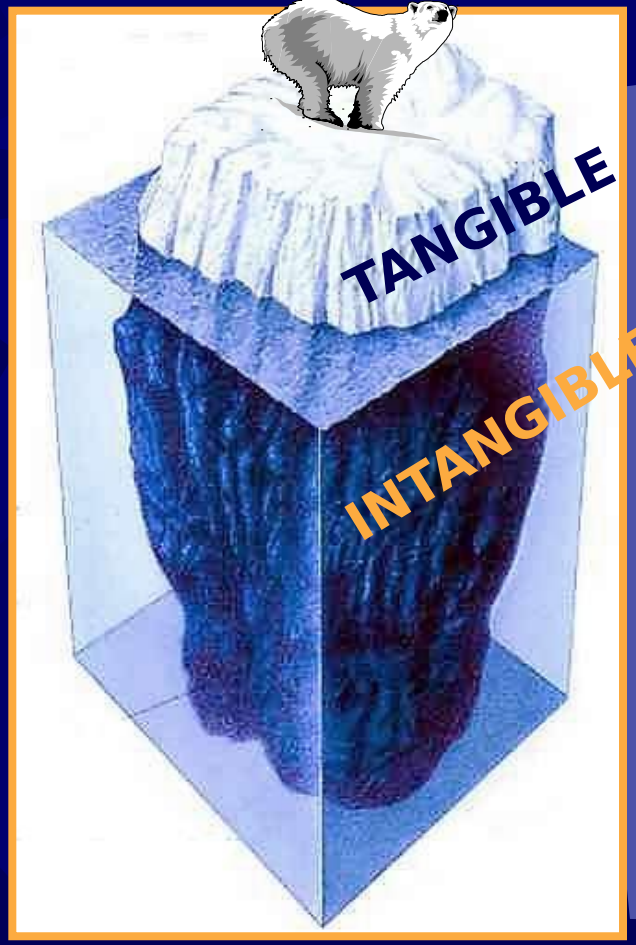
- Intangible benefits
  - Quality
  - Likely got lower bids in follow-on competitions
  - Quicker problem resolution



Notes for chart 5

- Quality
  - The continuous improvement journey is progressing as scheduled
  - Army has not missed training from quality problems
- Our cost goal was to buy rounds for $508/round. Actual cost was $499/round. Was it all partnering – “no” … did it contribute – “yes”
- 2nd multi-year resulted in contractors’ ability to bid $49M less than first multi-year award. One estimate is that 10% of this reduction ($5M) can be attributed to partnering.
- We have also benefited substantially from these contractors partnering with each other and the subcontract base on technical issues. Sharing of expertise has been responsible for quicker resolution of production problems without impact to delivery schedules/training.

Conclusion

“Partnering is smart busines

Benefits take time to evolve, but are there!

Notes for chart 6

- These continue to be rocks in the road, issues still crop up. Personnel still turn over, and there is a natural tendency to regress to old patterns of behavior. Still partnering is smart business.
- The benefits are unique to each situation and take time to evolve. This case study, because of its “long term”, is one good example of partnering success.